

The Commercial Rationale for Exporting and Commercial Services

Services to Help You Export

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The Case for Exporting



Global Demand

- Global dairy demand increasing but key demand growth comes from emerging markets, not UK/EU
 - Example: UK retail cheese sales 2012-13: +2% volume, +5% value
- *“On demand side, there will be about 150 million tonnes of new dairy consumption in the next decade” Fonterra, 2008*
- Demand fundamentals remain strong, driven by:
 - Economic growth
 - Westernisation of diets
 - Slow supply growth in many end markets
 - ✓ Example: China milk deficit of 2.5 mn tonnes in 2012
 - ✓ 3-4 mn tonnes likely in 2013



Global Supply

- At the same time as global demand growth, supply is constrained in traditional and some emerging export regions:
 - Global supply since mid-2012 has been weak, esp in NZ
 - ✓ This trend is continuing as drought in NZ is expected to reduce milk supplies in Feb/March
 - ✓ Australia supply in January 2013 down almost 6% on previous year
- Major dairy companies are mainly growing in emerging markets and are often retrenching in the established ones



Key International Products

- Key dairy products traded internationally:
 - Whole milk powder (WMP)
 - Cheese
 - Skim milk powder (SMP)
 - Whey proteins (powder, WPC, WPI)
 - Lactose/permeate
 - Butter
 - Anhydrous milkfat (AMF)
- Powder demand
 - Requires very strong milk growth, major investment
- Key cheeses trade internationally:
 - Gouda, Mozzarella, Cheddar = opportunity for the UK?



Key International Markets

Broad demand levels, 2012 import volumes:

SMP, '000 tonnes	WMP, '000 tonnes	Cheese, '000 tonnes
Mexico – 225	China – 406	Russia – 420
China – 168	Venezuela – 190	Japan – 220
Indonesia – 130	Algeria – 175	USA – 140
Algeria – 105	Brazil – 90	Saudi Arabia – 115
Philippines – 105	Singapore – 81	South Korea – 75
Malaysia – 100	Saudi Arabia – 80	
Vietnam – 70	Sri Lanka – 76	
Russia – 70	Oman – 56	
Thailand – 65	Hong Kong – 51	
Singapore – 63	Indonesia – 46	
Egypt – 48	Philippines – 32	
	Taiwan – 30	



Opportunity for the UK

- Powder demand
 - Requires very strong milk growth, major investment
- Key cheeses trade internationally:
 - Gouda, Mozzarella, Cheddar = opportunity for the UK
 - Key Cheddar importing markets range across Asia and the Middle East
 - Much volume used in processing and foodservice rather than retail
- Alternative to high volume, commodity approach
 - Demand for value-added, niche products
 - ✓ Eg organic milk in China
 - ✓ Imported infant formulae in China – consumers paying very high prices for safe, imported product
 - ✓ High-end retail; new cheese variety demand in Russia, USA, Japan



The Case for Exporting for the UK

- Currently main focus on domestic market
- Main market of course needs to be protected, but....
 - Crowded market with only modest growth opportunities
 - Resulting in one-dimensional product mix (*DEFRA provisional 2011/12 figures*)
 - ✓ Almost 78% of milk used for liquid milk and cheese production
 - ✓ Just over 3% of milk exported
 - ✓ 10% into condensed milk/powders
 - Concern in domestic market at influx of cheese, notably Cheddar, from Ireland
- Export focus essential:
 - Providing a growth route for producers and processors
 - Strengthen the UK industry's hand in negotiations with multiples
 - Developing a vision for future possibilities
 - Better late than never!



International Examples



Generic Market Development

- Widely practised by:
 - Dairy industry associations eg USDEC, CMAB, Dairy Australia
 - State-funded institutions eg Bord Bia, ICEX
 - Trading businesses with a quasi national role/”national champions” eg IDB
- Less about direct selling, more about industry support
- Significant pre-commercial aid to an exporting dairy industry
- Exploring industry issues, end markets etc
- Identifying and qualifying leads a key feature in some cases
- Market access of increasing importance
- Works best when run by a dairy-specific organisation or a state body for which dairy is a strong priority



A Working Example

- CMAB (cheese, butter, some liquid)
 - Created international programme in 2008
 - Until then, 100% domestic focus
 - Orrani Consulting ran the programme for several years, focused on 12 markets (Mexico + Asia)
 - Likely 2013 Asia budget US\$2.7 mn
 - ✓ Includes retainers for 7 Asian reps covering 9 countries
 - ✓ Country-by-country programmes
 - ✓ Regional programmes managed from HQ (bakery, pizza, retail)
- California is now the leading dairy export state in the US with exports surpassing US\$1.5 bn in 2011



Commercial Services Available



Orrani Consulting Background

- International dairy sector strategic consulting & market research
- Established in 1993, independent since 2003
- Based in the UK and US
- Background, testimonials – www.orrani.com
- Customers – businesses, industry bodies, government institutions
- Work mainly in dairy to facilitate international business development / accelerate exports
- Scope – worldwide



Main Focus

- Mainly confidential, bespoke assignments for customers – large and small:
 - Market opportunity/assessment
 - Feasibility studies
 - Strategic marketing consultancy, planning and evaluation
 - Economic and policy analysis
 - Export market/trade contact development programmes
 - Company search, appraisal, due diligence (acquisitions, partnerships, distributors)
 - Competitor profiling
 - Customer perception research
 - Intellectual property/technology assessments



Recent Projects

- Brief overview of opportunities for organic milk in China
- Assessment of a national industry's global opportunities / competitiveness and resulting export priorities
- Opportunities and market entry options in the Iraqi dairy market – incl identification of potential partners
- Assessment of the Russian cheese market and distribution
- Multiple studies of dairy market opportunities – China, Vietnam, South Korea, Indonesia, Russia – among many others!
- Strategic assessment of opportunities for farmhouse cheeses in the US market
- Assessment of key global accounts for dairy commodity suppliers
- Emerging global ingredient categories (MPC, permeates etc)
- Partnering/investment opportunities in the Asian recombining sector
- Organisation and hosting of visit programme to key dairy buyers in Indonesia



Publications

- Also occasional publications of multiclient reports
 - Cheese Technology Landscape (2013)
 - China's Key Dairy and Formula Companies
 - Brazil – a future major dairy exporter?
 - Opportunities in the US industrial cheese market
 - The Latin American Whey Sector
 - Emerging Exporters in International Dairy Trade
- Dairy Product China News (DPCN)
 - Monthly newsletter analysing developments in the Chinese dairy industry and market



Thank You!



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